EXHIBIT N

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED: SEPTEMBER 30, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM _________ TO _________

COMMISSION FILE NUMBER: 001-16109

CORRECTIONS CORPORATION OF AMERICA
(Exact name of registrant as specified in its charter)

MARYLAND	**62-1763875**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

10 BURTON HILLS BLVD., NASHVILLE, TENNESSEE 37215
(Address and zip code of principal executive offices)

(615) 263-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each class of Common Stock as of October 31, 2014:

Shares of Common Stock, $0.01 par value per share: 116,476,314 shares outstanding.

CORRECTIONS CORPORATION OF AMERICA

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014

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PART I – FINANCIAL INFORMATION

ITEM 1. – FINANCIAL STATEMENTS.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	September 30, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	$ 48,847	$ 77,909
Accounts receivable, net of allowance of $912 and $1,265, respectively	292,466	244,957
Current deferred tax assets	11,430	9,241
Prepaid expenses and other current assets	26,925	20,612
Assets held for sale	4,145	—
Current assets of discontinued operations	—	15
Total current assets	383,813	352,734
Property and equipment, net	2,614,264	2,546,613
Restricted cash	2,707	5,589
Investment in direct financing lease	3,811	5,473
Goodwill	16,110	16,110
Non-current deferred tax assets	4,537	3,078
Other assets	75,908	77,828
Total assets	$ 3,101,150	$ 3,007,425
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 247,762	$ 252,277
Income taxes payable	889	1,243
Current liabilities of discontinued operations	53	886
Total current liabilities	248,704	254,406
Long-term debt	1,240,000	1,205,000
Other liabilities	110,153	45,512
Total liabilities	1,598,857	1,504,918
Commitments and contingencies		
Preferred stock – $0.01 par value; 50,000 shares authorized; none issued and outstanding at September 30, 2014 and December 31, 2013, respectively	—	—
Common stock – $0.01 par value; 300,000 shares authorized; 116,476 and 115,923 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	1,165	1,159
Additional paid-in capital	1,739,240	1,725,363
Accumulated deficit	(238,112)	(224,015)
Total stockholders' equity	1,502,293	1,502,507
Total liabilities and stockholders' equity	$ 3,101,150	$ 3,007,425

The accompanying notes are an integral part of these consolidated financial statements.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	**2014**	2013
REVENUES:	**$ 408,474**	$ 421,466	**$1,223,390**	$1,263,194
EXPENSES:				
Operating	**282,712**	301,489	**857,702**	903,712
General and administrative	**27,635**	23,570	**79,586**	80,162
Depreciation and amortization	**28,277**	28,151	**85,413**	83,203
Asset impairments	**—**	985	**2,238**	985
	338,624	354,195	**1,024,939**	1,068,062
OPERATING INCOME	**69,850**	67,271	**198,451**	195,132
OTHER (INCOME) EXPENSE:				
Interest expense, net	**10,376**	10,378	**29,088**	34,856
Expenses associated with debt refinancing transactions	**—**	—	**—**	36,528
Other income	**(143)**	(184)	**(1,143)**	(120)
	10,233	10,194	**27,945**	71,264
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**59,617**	57,077	**170,506**	123,868
Income tax (expense) benefit	**(2,071)**	(4,571)	**(5,490)**	133,253
INCOME FROM CONTINUING OPERATIONS	**57,546**	52,506	**165,016**	257,121
Loss from discontinued operations, net of taxes	**—**	(663)	**—**	(3,757)
NET INCOME	**$ 57,546**	$ 51,843	**$ 165,016**	$ 253,364
BASIC EARNINGS PER SHARE:				
Income from continuing operations	**$ 0.50**	$ 0.46	**$ 1.42**	$ 2.38
Loss from discontinued operations, net of taxes	**—**	(0.01)	**—**	(0.03)
Net income	**$ 0.50**	$ 0.45	**$ 1.42**	$ 2.35
DILUTED EARNINGS PER SHARE:				
Income from continuing operations	**$ 0.49**	$ 0.45	**$ 1.41**	$ 2.35
Loss from discontinued operations, net of taxes	**—**	(0.01)	**—**	(0.03)
Net income	**$ 0.49**	$ 0.44	**$ 1.41**	$ 2.32
REGULAR DIVIDENDS DECLARED PER SHARE	**$ 0.51**	$ 0.48	**$ 1.53**	$ 1.49
SPECIAL DIVIDENDS DECLARED PER SHARE	**$ —**	$ —	**$ —**	$ 6.66

The accompanying notes are an integral part of these consolidated financial statements.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(UNAUDITED AND AMOUNTS IN THOUSANDS)

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Par Value	Capital	Deficit	Equity
Balance as of December 31, 2013	115,923	$ 1,159	$ 1,725,363	$ (224,015)	$ 1,502,507
Net income	—	—	—	165,016	165,016
Retirement of common stock	(92)	(1)	(3,051)	—	(3,052)
Regular dividends declared on common stock ($1.53 per share)	—	—	—	(179,190)	(179,190)
Restricted stock compensation, net of forfeitures	(14)	—	8,898	77	8,975
Income tax benefit of equity compensation	—	—	222	—	222
Stock option compensation expense, net of forfeitures	—	—	1,463	—	1,463
Restricted stock grants	267	3	—	—	3
Stock options exercised	392	4	6,345	—	6,349
Balance as of September 30, 2014	**116,476**	**$ 1,165**	**$1,739,240**	**$ (238,112)**	**$ 1,502,293**

The accompanying notes are an integral part of these consolidated financial statements.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(UNAUDITED AND AMOUNTS IN THOUSANDS)

	Common Stock		Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Total Stockholders' Equity
	Shares	Par Value			
Balance as of December 31, 2012	100,105	$ 1,001	$1,146,488	$ 374,131	$ 1,521,620
Net income	—	—	—	253,364	253,364
Issuance of common stock	20	—	20	—	20
Retirement of common stock	(144)	(1)	(5,453)	—	(5,454)
Special dividend on common stock ($6.66 per share)	13,878	139	542,541	(678,226)	(135,546)
Regular dividends declared on common stock ($1.49 per share)	—	—	—	(165,309)	(165,309)
Restricted stock compensation, net of forfeitures	(23)	—	6,974	333	7,307
Income tax benefit of equity compensation	—	—	40	—	40
Stock option compensation expense, net of forfeitures	—	—	2,368	—	2,368
Restricted stock grants	300	3	(3)	—	—
Stock options exercised	1,695	16	28,522	—	28,538
Balance as of September 30, 2013	115,831	$ 1,158	$1,721,497	$ (215,707)	$ 1,506,948

The accompanying notes are an integral part of these consolidated financial statements.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEPTEMBER 30, 2014

1. ORGANIZATION AND OPERATIONS

Corrections Corporation of America (together with its subsidiaries, the "Company" or "CCA") is the nation's largest owner of privatized correctional and detention facilities and one of the largest prison operators in the United States, behind only the federal government and three states. As of September 30, 2014, CCA owned or controlled 52 correctional and detention facilities, and managed an additional 12 facilities owned by its government partners, with a total design capacity of approximately 84,500 beds in 19 states and the District of Columbia.

CCA is a Real Estate Investment Trust ("REIT") specializing in owning, operating and managing prisons and other correctional facilities and providing residential, community re-entry, and prisoner transportation services for governmental agencies. In addition to providing fundamental residential services, CCA's facilities offer a variety of rehabilitation and educational programs, including basic education, faith-based services, life skills and employment training, and substance abuse treatment. These services are intended to help reduce recidivism and to prepare offenders for their successful re-entry into society upon their release. CCA also provides or makes available to offenders certain health care (including medical, dental and mental health services), food services, and work and recreational programs.

CCA began operating as a REIT for federal income tax purposes effective January 1, 2013. The Company provides correctional services and conducts other business activities through taxable REIT subsidiaries ("TRSs"). A TRS is a subsidiary of a REIT that is subject to applicable corporate income tax and certain qualification requirements. The Company's use of TRSs enables CCA to comply with REIT qualification requirements while providing correctional services at facilities it owns and at facilities owned by its government partners and to engage in certain other business operations. A TRS is not subject to the distribution requirements applicable to REITs so it may retain income generated by its operations for reinvestment.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements have been prepared by the Company and, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of results for the unaudited interim periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. The results of operations for the interim period are not necessarily indicative of the results to be obtained for the full fiscal year. Reference is made to the audited financial statements of CCA included in its Annual Report on Form 10-K as of and for the year ended December 31, 2013 filed with the Securities and Exchange Commission (the "SEC") on February 27, 2014 (File No. 001-16109) (the "2013 Form 10-K") with respect to certain significant accounting and financial reporting policies as well as other pertinent information of the Company.

Average daily compensated population decreased 6,845 from 75,389 in the third quarter of 2013 to 68,544 in the third quarter of 2014, while average daily compensated population for the nine months ended September 30, 2014 decreased 5,808 from the comparable period in 2013. The decline in average compensated population primarily resulted from the expiration of our contract at the Idaho Correctional Center after the state of Idaho assumed management of the facility effective July 1, 2014. In addition, the decline in average compensated population resulted from the expiration of our contracts at the Bay Correctional Facility, Graceville Correctional Facility, and Moore Haven Correctional Facility, collectively referred to herein as the "Three Florida Facilities", after the Florida Department of Management Services ("DMS") awarded the management of these contracts to another operator effective January 31, 2014. Combined, these four facilities generated net operating losses, or the operating losses from operations before interest, taxes, asset impairments, and depreciation and amortization, of $1.9 million during the time they were active in 2014, and net operating income of $1.1 million and $3.8 million for the three and nine months ended September 30, 2013, respectively.

Business from our federal customers, including primarily the Federal Bureau of Prisons ("BOP"), the United States Marshals Service ("USMS"), and U.S. Immigration and Customs Enforcement ("ICE") continues to be a significant component of our business. Our federal customers generated approximately 44% and 43% of our total revenue for the three months ended September 30, 2014 and 2013, respectively, decreasing 0.9%, from $181.3 million during the three months ended September 30, 2013 to $179.6 million during the three months ended September 30, 2014. Federal revenues decreased $19.0 million or 3.5% from $547.1 million for the nine months ended September 30, 2013, to $528.1 million for the nine months ended September 30, 2014. The reduction in federal revenues in both the three- and nine-month periods primarily resulted from the transition of our California City facility, which housed USMS and ICE offenders during the first nine months of 2013, to a lease with the state of California, as further described under "Other Facility Related Activity" hereafter. Partially offsetting the reduction in federal revenues in both the three- and nine-month periods was an increase in revenues that resulted from our acquisition of CAI in the third quarter of 2013. In addition, the reduction in federal revenues during the three-month period was partially offset by an increase in revenues associated with ICE at certain facilities. Our federal partners continue to manage their budgets under Continuing Resolutions which could create short-term challenges and lead to reductions in inmate populations.

The reduction in federal revenues for the nine-month period also resulted from a contract adjustment by one of our federal partners previously disclosed in the fourth quarter of 2013. The contract adjustment resulted in an accrual of $13.0 million of revenue and an equal accrual of operating expenses during the fourth quarter of 2013, both of which were revised to $9.0 million during the first quarter of 2014, resulting in the reduction of both revenue and operating expenses by $4.0 million.

State revenues decreased $19.8 million, or 9.6%, from $207.0 million during the third quarter of 2013 to $187.2 million during the third quarter of 2014. State revenues decreased $48.6 million or 7.8% from $620.4 million during the nine months ended September 30, 2013 to $571.8 million during the same period in 2014. State revenues decreased in both the three- and nine-month periods primarily as a result of the expiration of our contracts at the Idaho Correctional Center effective July 1, 2014 and at the Three Florida Facilities effective January 31, 2014, and due to the idling of our Mineral Wells and Marion Adjustment Center facilities in the third quarter of 2013.

Several of our state partners are projecting modest increases in tax revenues and improvements in their budgets which has resulted in our ability to secure recent per diem increases at certain facilities. However, all of our state partners have balanced budget requirements, which may lead them to further reduce their expenses if their tax revenues, which typically lag the overall economy, do not meet their expectations. Additionally, actions by our state partners to manage their expenses could include reductions in inmate populations.

Further, certain government partners have requested, and additional government partners could request, reductions in per diem rates or request that we forego prospective rate increases in the future as methods of addressing the budget shortfalls they may be experiencing. We believe we have been successful in working with our government partners to help them manage their correctional costs while minimizing the financial impact to us, and will continue to provide unique solutions to their correctional needs. We believe the long-term growth opportunities of our business remain very attractive as certain states consider efficiency, savings, and inmate programming opportunities we can provide. Further, we expect our partners to continue to face challenges in maintaining old facilities, and developing new facilities and additional capacity which could result in future demand for the solutions that we provide.

Operating Expenses

Operating expenses totaled $282.7 million and $301.5 million for the three months ended September 30, 2014 and 2013, respectively, while operating expenses for the nine months ended September 30, 2014 and 2013 totaled $857.7 million and $903.7 million, respectively. Operating expenses consist of those expenses incurred in the operation and management of correctional and detention facilities, as well as at facilities we lease to third-party operators, and for our inmate transportation subsidiary.

Expenses incurred in connection with the operation and management of correctional and detention facilities decreased $22.8 million, or 7.7% during the third quarter of 2014 compared with the same period in 2013. Operating expenses decreased $48.7 million, or 5.5% during the first nine months of 2014 compared with the same period in 2013. Most notably, operating expenses decreased as a result of the expiration of our contracts at the Idaho Correctional Center effective July 1, 2014 and at the Three Florida Facilities effective January 31, 2014, and due to the idling of our Mineral Wells and Marion Adjustment Center facilities in the third quarter of 2013.

Fixed expenses per compensated man-day decreased to $32.37 during the three months ended September 30, 2014 from $32.59 during the three months ended September 30, 2013. Fixed expenses per compensated man-day decreased to $32.51 during the nine months ended September 30, 2014 from $32.75 during the same period in 2013. The decrease in fixed expenses per compensated man-day in the three-month period is primarily a result of lower repairs and maintenance and property tax expenses. The decrease in fixed expenses per compensated man-day in the nine-month period is primarily a result of a decrease in salaries and benefits per compensated man-day. We did not provide wage increases to the majority of our employees in 2013. However, in lieu of a wage increase, we elected in the second

quarter of 2013 to pay approximately $5.0 million in bonuses to non-management level staff. We continually monitor compensation levels very closely along with overall economic conditions and will set wage levels necessary to help ensure the long-term success of our business. In that effort, we elected to provide inflationary wage increases to the majority of our staff effective in July 2014, which partially offsets the effect of the bonuses paid in 2013 when comparing results for the nine months ended September 30, 2014 to the same period in the prior year. Also contributing to the decrease in fixed expenses per compensated man-day in the nine-month period were more favorable claims experience and positive results from certain strategies we implemented related to our self-insured employee health and workers' compensation plans. Salaries and benefits represent the most significant component of fixed operating expenses, representing approximately 65% of our operating expenses during 2013 and 62% for the first nine months of 2014.

Variable expenses per compensated man-day increased $0.89 and $1.10, respectively, during the three and nine months ended September 30, 2014 from the same periods in the prior year. The increase in both periods was primarily a result of increases in inmate medical costs and contractual inflationary increases in food service. The increase in variable expenses per compensated man-day during the nine-month period was also due to an increase in travel and other variable expenses. In addition, the three and nine-month periods in 2013 were favorably impacted by the implementation of certain sales tax strategies during the second and third quarters of 2013 which reduced variable expenses per man-day by $0.25 in the third quarter of 2013 and $0.20 for the nine-month period in 2013.

Facility Management Contracts

We typically enter into facility contracts to provide prison bed capacity and management services to governmental entities for terms typically from three to five years, with additional renewal periods at the option of the contracting governmental agency. Accordingly, a substantial portion of our facility contracts are scheduled to expire each year, notwithstanding contractual renewal options that a government agency may exercise. Although we generally expect these customers to exercise renewal options or negotiate new contracts with us, one or more of these contracts may not be renewed by the corresponding governmental agency.

Based on information available at this filing, we believe we will renew all contracts that have expired or are scheduled to expire within the next twelve months. We believe our renewal rate on existing contracts remains high as a result of a variety of reasons including, but not limited to, the constrained supply of available beds within the U.S. correctional system, our ownership of the majority of the beds we operate, and the quality of our operations.

The operation of the facilities we own carries a higher degree of risk associated with a facility contract than the operation of the facilities we manage but do not own because we incur significant capital expenditures to construct or acquire facilities we own. Additionally, correctional and detention facilities have limited or no alternative use. Therefore, if a contract is terminated on a facility we own, we continue to incur certain operating expenses, such as real estate taxes, utilities, and insurance, which we would not incur if a management contract were terminated for a managed-only facility. As a result, revenue per compensated man-day is typically higher for facilities we own and manage than for managed-only facilities. Because we incur higher expenses, such as repairs and maintenance, real estate taxes, and insurance, on the facilities we own and manage, our cost structure for facilities we own and manage is also higher than the cost structure for the managed-only facilities. The

following tables display the revenue and expenses per compensated man-day for the facilities placed into service that we own and manage and for the facilities we manage but do not own:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	**2014**	2013
Owned and Managed Facilities:				
Revenue per compensated man-day	**$ 69.65**	$ 68.27	**$ 69.15**	$ 68.12
Operating expenses per compensated man-day:				
Fixed expense	**34.32**	35.38	**34.60**	35.39
Variable expense	**11.66**	10.80	**11.52**	10.50
Total	**45.98**	46.18	**46.12**	45.89
Operating income per compensated man-day	**$ 23.67**	$ 22.09	**$ 23.03**	$ 22.23
Operating margin	**34.0%**	32.4%	**33.3%**	32.6%
Average compensated occupancy	**81.3%**	80.2%	**81.6%**	81.7%
Average available beds	**66,222**	68,340	**66,222**	68,099
Average compensated population	**53,857**	54,792	**54,036**	55,612

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	**2014**	2013
Managed Only Facilities:				
Revenue per compensated man-day	**$ 39.90**	$ 40.18	**$ 39.88**	$ 40.14
Operating expenses per compensated man-day:				
Fixed expense	**25.24**	25.15	**25.62**	25.61
Variable expense	**9.77**	9.25	**10.09**	9.01
Total	**35.01**	34.40	**35.71**	34.62
Operating income per compensated man-day	**$ 4.89**	$ 5.78	**$ 4.17**	$ 5.52
Operating margin	**12.3%**	14.4%	**10.5%**	13.8%
Average compensated occupancy	**95.1%**	96.7%	**95.1%**	96.7%
Average available beds	**15,436**	21,306	**17,210**	21,306
Average compensated population	**14,687**	20,597	**16,371**	20,603

Owned and Managed Facilities

Facility net operating income, or the operating income or loss from operations before interest, taxes, asset impairments, depreciation and amortization, at our owned and managed facilities increased by $5.9 million, from $111.4 million during the third quarter of 2013 to $117.3 million during the third quarter of 2014, an increase of 5.3%. Facility net operating income at our owned and managed facilities decreased by $0.7 million, from $337.6 million during the nine months ended September 30, 2013 to $336.9 million during the nine months ended September 30, 2014, a decrease of 0.2%. Most notably, the increase in facility net operating income at our owned and managed facilities during the three-month period is the result of increased utilization by ICE at our 1,752-bed Stewart Detention Center. The slight decrease in facility net operating income at our owned and managed facilities during the nine-month period is largely the result of the change to housing Arizona inmates pursuant to a new management contract at our Red Rock facility, which was operating near full capacity in the prior year period housing California populations. We expect populations from the state of Arizona to increase at this facility in 2015. The decrease in facility net operating income during the nine-month period is also due in part to incurring activation expenses at our Diamondback facility, as further described herein. Partially offsetting these declines in facility net operating income, the prior year nine-month period included the aforementioned bonuses for non-management level employees during 2013. In addition, facility net operating income at our owned and managed facilities during both the three- and nine-month periods of 2014 were favorably impacted by the CAI acquisition in the third quarter of 2013, lower property taxes, and favorable claims experience and positive results from certain strategies we implemented related to our self-insured employee health and workers' compensation plans.

In July 2013, we extended our agreement with the California Department of Corrections and Rehabilitation ("CDCR") to continue to house inmates at the four facilities we operated for them in Arizona, Oklahoma, and Mississippi. The extension, which runs through June 30, 2016, also allowed CDCR to transition California inmates previously housed at our Red Rock Correctional Center to our other facilities. Accordingly, all of the California inmates were relocated from our Red Rock Correctional Center in the fourth quarter of 2013 in order to prepare for the receipt of inmates under our new contract with the state of Arizona, which commenced January 1, 2014. While the transition resulted in the loss of some of the inmates housed at the Red Rock facility, the transition plan included retention and transfer of certain inmates to our other facilities.

In May 2011, in response to a lawsuit brought by inmates against the state of California, the U.S. Supreme Court upheld a lower court ruling issued by a three judge panel requiring California to reduce its inmate population to 137.5% of its then current capacity, or to 110,000 inmates. In an effort to meet the Federal court ruling, the fiscal year 2012 budget of the state of California called for a significant reallocation of responsibilities from state government to local jurisdictions, including housing certain lower level inmates that were the responsibility of the State. This realignment plan commenced on October 1, 2011 and has resulted in a reduction in state inmate populations of approximately 28,000 as of September 30, 2014. As of September 30, 2014, the adult inmate population held in state of California institutions totaled approximately 116,000 inmates, which did not include the California inmates held in our out-of-state facilities.